

University of Fort Hare

Supplementary Examinations
January 2019

AGE 222 Farm Accounting

Time: 3 Hours

Marks: 100

This paper consists of **four** pages, excluding the cover page

Internal Examiner

Dr B E Akinyemi

Instructions:

Answer **all** the questions

Note that the questions do not carry equal marks.
You should allocate your time in proportion to the number of marks.

QUESTION 1 (30 Marks)

- (a) There are **four steps** to **account balancing** in line with the principle of double entry, list these four steps in procedural order. (8)
- (b) Define the accounting terminologies listed below
1. Accrual expenses
 2. Inventory
 3. Revenue
 4. Account receivable
 5. Net farm income. (10)
- (c) Differentiate between farm business **financial position** and **financial performance**, and clearly show how assessment of each can be done. (6)
- (d) Within the context of the fundamental of **accrual accounting**, explain how **revenue** and **expenses** are recorded and give **one advantage** and **one disadvantage** of this recording. (6)

QUESTION 2 (20 Marks)

- (a) Give a brief explanation of **depreciation** in a farm business. (2)
- (b) Using the principle of double entry accounting, illustrate how you would record **depreciation** on tractor of R10 000, where the opening balance for **tractor** is R250 000. (4)
- (c) Explain the meaning of **unsold maize in stock** (say, to the value of R6 000) **and** show the accounting entries needed to reflect the situation correctly. (7)
- (d) Explain the concept of **Private Drawings** in farm accounting. Using a table, show two accounting entries for a farmer who paid medical bill of R4 000 from the farm's bank account (which is meant for farm business only). (7)
- Subtotal** [20]

QUESTION 3 (30 Marks)

Mr V Dan is the manager of Bakins Farm. He acquired the following *Assets* and *Liabilities* presented in the *Balance Sheet* below during the *2017/2018 financial year*.

Bakins Balance Sheet (on 31 August 2018)			
LIABILITIES:		ASSETS:	
Co-op current Account	15,001	Bank Account	40,007
Fuel Account	10,500	Savings Account	13,330
Agricbank loan (5 years)	88,002	Breeding cattle	114,900
Agricbank loan (25 years)	250,000	Tractors	107,000
Overdue electricity Account	2,850	Van vehilces	104,000
Installment sale credit due in 8 years	81,060	Implements	60,200
Overdue water bill Account	1200	Fertilizer in stock	30,500
Overdue veterinary services	5,400	Seed in stock	15,476
Mortgage bonds	412,000	Herbicides in stock	2,008
		Land	420,000
		Barn, silo, kraal etc.	96,103
		Unsold maize in stock	1,000
		Dr. Ben debt to Bakins	2,000
Net Capital	140,511		
	<u>1,006,524</u>		<u>1,006,524</u>

From the Balance Sheet for Innovateur Farm on 31 August 2018, answer the following questions:

- a) Identify all **current assets** and calculate the total of all current assets acquired as at 31 August 2018. (5)
 - b) Identify all **current liabilities** and calculate the total of all current liabilities incurred as at 31 August 2018. (5)
 - c) Identify all **medium-term assets** and calculate the total of all medium term assets acquired as at 31 August 2018. (5)
 - d) Identify all **medium-term liabilities** and calculate the total of all medium term liabilities incurred as at 31 August 2018. (5)
 - e) Identify all **long-term assets** and calculate the total of all long term assets acquired as at 31 August 2018. (5)
 - f) Identify all **long-term liabilities** and calculate the total of all long term liabilities incurred as at 31 August 2018. (5)
- Subtotal** [30]

QUESTION 4 (20 Marks)

Mr Kay. Peterson rents and manages Fresh Farm. He acquired some assets and incurred some liabilities during 2017/2018 production year.

- B. Accounts:** As at 1 September 2017, the first day of his 2017/2018 financial year, his financial records contained the following accounts, with the opening balances (in Rands) indicated next to the account name:

Bank Account

Bank Account.....	Dr	52 150
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Assets accounts:

Farm Buildings.....	Dr	790 000
Farm Vehicles & Machineries	Dr	660 001
Poultry Parent Stock.....	Dr	340 050
Breeder Beef Cow	Dr	480 000

Liabilities accounts:

Ubuntu Agric Co-op.....	Cr	35 100 (for seeds)
Agricultural Bank (Loan).....	Cr	210 500

Capital accounts:

Owner's Capital.....	Cr	900 000
Private Drawings		

Expenses accounts:

Salaries and Wages
 Fuel and Oil
 Water and Electricity Costs
 Repairs and Maintenance
 Seed and seedlings
 Vet and Medicines
 Other expenses

Income accounts:

Vegetable sales
 Poultry Sales
 Beef sales
 Other Income

- C. Transactions:** During the year, the following transactions took place (all amounts in Rands):

Fuel purchased for cash	34 350
Fuel purchased on account Ubuntu Co-op	30 120
Beef cow feed purchased (Account Ubuntu Co-op).....	90 412
Vegetable Seeds purchased for cash:	24 000
Wages paid (Cash)	45 600
Vegetable Seedlings purchased on account (Ubuntu Co-op):	4 800
Machinery Repairs (Cash)	6 200

Electricity Charges (Cash)	25 150
Water Taxes paid (Cash).....	2 580
Cash withdrawn for holiday trip:	35 000
Payment on Ubuntu Co-op Account	30 100
Vet and medicines (Cash).....	5 000
Other costs (Cash)	9 000
Payment on Ubuntu Agric Co-op Account	103 000
Purchased vehicle spare parts (Cash).....	35 000
Cabbages sold for cash	27 000
Beef sold for cash	150 642
Cabbages sold for cash:	59 500
Interest paid on Bank Loan (Agricultural Bank).....	22 000
Part repayment of Bank Loan (Agricultural Bank)	27 520
Hand tools bought on account (Ubuntu Co-op)	1 500
Old beef breeder cows sold (Cash).....	45 150
Private use of farm guest house amounted to	12 000
Value of beef produce consumed.....	10 280
Staff Bonuses paid (Cash).....	8 000
Value of spinach consumed	2 500

DO THE FOLLOWING:

- 1 Enter the opening balances listed in (4B) and all transactions listed in (4C) above and balance all the accounts. (10)
 - 2 Draw up the **Profit and Loss Account for the year ending 31 August 2018** (thereby calculating the profit or loss for the farm business) (5)
 - 3 Draw up his **Balance Sheet** as at 31 August 2018..... (5)
- Subtotal** [20]
- TOTAL (4 Questions)**..... [100]

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